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SUBJECT: OPIC'S AFFORDABLE MORTGAGE, RISK INSURANCE
PROJECTS PICK UP PACE; RAWABI STILL WORKING THROUGH HURDLES

¶1. (SBU) Summary: An Overseas Private Investment Corporation (OPIC) delegation visited Jerusalem and Ramallah October 5-7 to further a number of projects, including the affordable mortgage and political risk insurance programs, as well as to expand the loan guarantee fund (LGF). OPIC estimates the mortgage facility could be operational in early 2010, though it expressed concern that a major residential project which would provide the target market for these loans (Rawabi) is lagging behind schedule. End summary.

¶2. (SBU) OPIC VP Robert Drumheller and Investment Analyst Maria Goravanchi visited Jerusalem and Ramallah October 5-7 to meet with partners in the approximately USD 500m mortgage finance facility and other projects.

Rawabi: Land and road issues still outstanding

¶3. (SBU) Bayti CEO Bashar Masri briefed OPIC on the status of the planned community Rawabi, which OPIC sees as central to its market for loans. Masri said he is engaged in negotiations with area landowners to purchase and transfer land in/around Rawabi. PA officials have been facilitating these negotiations, he said. The latest proposal is for Masri to purchase directly any land to which individuals can show clear title. For land where the title is less clear, Masri will deposit funds in an escrow account with the PA, to be disbursed as the land is registered and transferred to Rawabi. Masri said he gave key landowners a deadline by which to respond, and claimed that President Abbas has agreed to meet him in mid-October to discuss the status of the negotiation. (On October 9, Masri reported to EconOff that he had reached a verbal agreement with the most significant landowner; but he would not be confident until it was put in writing.)

¶4. (SBU) Masri said he still needs permission from the GOI to construct an access road (around 3 km of which will pass through Area C) as well as the PA's blessing on the route. He told OPIC that if the land issue is resolved, he will move bulldozers to the site and begin excavation and leveling -- without closure on the road. He characterized this as a risky move, but said he wants to demonstrate to the PA, GOI, and donors that Rawabi is "damn serious" about moving forward.

¶5. (SBU) Masri said he has received strong support from the PA Ministers of Planning, Local Government, National Economy and Agriculture. He confirmed that there is still work to do with the Ministry of Public Works and Housing in order to resolve the route.

¶6. (SBU) OPIC's intention has been to synchronize the launch of the loan facility with the beginning of sales in Rawabi,

as this project provides the greatest market. Other less ambitious projects, such as al-Reehan, also have an affordable mortgage component. OPIC and its partners are in the financing development phase of the program, which stresses the need to launch the housing developments alongside the registration of the AMAL loan facility. OPIC estimates there are currently nine housing projects in the West Bank, requiring a total of USD 116.5m in infrastructure funding from donors in order to keep the purchase price in the affordable range - between USD 50k and USD 120k.

OPIC Ready to Use LGF in Gaza, but Opportunities are Limited

¶7. (SBU) OPIC met with Bank of Palestine (BoP) General Manager Hashim Shawa and Rami Khoury of CHF to encourage the expanded use of the Loan Guarantee Fund (LGF) for projects in Gaza. Shawa said he had some loan applications from Gaza in the SME pipeline, but lamented that "there is not much economic activity in Gaza, and almost none that operates independently of the tunnels." Econoff encouraged Shawa to put the proposals forward to CHF, and the ConGen will work with CHF to ensure the LGF is not used in a way that promotes the tunnel economy. As a result of the conversation, Shawa said he will forward proposals in certain sectors, including a beef importer, microfinance, and IT training/development.

Moevenpick

¶8. (SBU) OPIC and CHF confirmed that the LGF board has agreed to guarantee a percentage of a USD 5m loan for the Moevenpick

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hotel in Ramallah. The BoP and Cairo Amman Bank are in negotiations to finalize the breakdown of the loan (the hotel requires USD 8m total to launch.)

Political Risk Insurance

¶9. (SBU) In a meeting with Samir Shehadeh of the National Insurance Company, Drumheller noted that two consultants have been hired to undertake the necessary surveys to establish a baseline, and finalize the insurance product. The product will be offered on a pilot basis at first to 13 "known traders" in the Hebron/Bethlehem area - large companies with a significant volume of trade through Tarqumiya crossing.

¶10. (U) OPIC has cleared this cable.
RUBINSTEIN